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October 16, 2007

Ms. Elizabeth O'Donnell
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

RECEIVED
OCT 18 2007
PUBLIC SERVICE
COMMISSION

Re: Kenergy Corp.

Dear Ms. O'Donnell:

2007-453

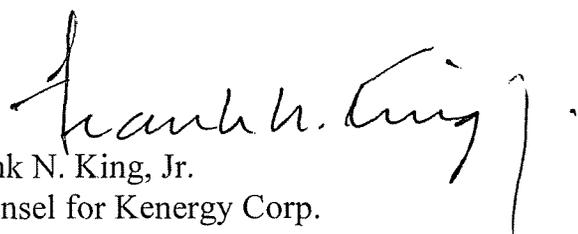
Enclosed for filing please find Application of Kenergy Corp. for Certificate of Convenience and Necessity. This filing is to obtain from the Commission a certificate with respect to Kenergy's 2007-2010 construction work plan. Please advise of the case number at your earliest convenience.

Your assistance is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.
Counsel for Kenergy Corp.

FNKJr/cds

Encls.

COPY: Mr. John Newland, Kenergy Corp.

RECEIVED

OCT 18 2007

PUBLIC SERVICE
COMMISSION

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE APPLICATION)
OF KENERGY CORP. FOR CERTIFICATE)
OF CONVENIENCE AND NECESSITY)**

CASE NO. 2007-453

APPLICATION

(a) The applicant Kenergy Corp. ("Kenergy") is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member consumers in the Kentucky counties of Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Webster, Breckinridge, Union, Crittenden, Caldwell, Lyon, and Livingston.

(b) The post office address of Kenergy is Post Office Box 18, Henderson, Kentucky 42419-018.

(c) Kenergy's Articles of Consolidation are on file with the Commission in Case No. 99-136.

(d) The applicant seeks a certificate of convenience and necessity authorizing the construction of the facilities set forth in applicant's 2007-2010 Construction Work Plan ("CWP"). Attached hereto and made a part hereof are copies of the following: Cost Estimates and Loan Budget for Electric Borrowers, RUS Form 740c (as of June 2007)

marked "Exhibit A;" Executive Summary of R. W. Beck, the consultant that was retained to assist Kenergy in preparation of the CWP, marked "Exhibit B;" and certified copy of resolution of Kenergy's board of directors adopting the CWP, marked "Exhibit C."

(e) The facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity are included in the Executive Summary ("Exhibit B"). As stated therein on page 2 the CWP was prepared to provide adequate and dependable service to 56,742 customers with a total annual sales of 1,334,518 MWh in 2010.

(f) Franchises or permits from public authorities are not required for the proposed new construction or extension.

(g) A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed is set forth on the maps that are a part of the R. W. Beck 2007-2010 Construction Work Plan for Kenergy Corp. submitted as "Exhibit D" (three sets are submitted as required under 807 KAR 5:001, Section 9(2)(d)). The proposed new construction or extension will not compete with any other public utility, corporation or person. There are no like facilities owned by others located anywhere within the map area.

(h) As set forth on page 3 of the R. W. Beck Executive Summary (“Exhibit B”) the estimated cost of the CWP is \$29,431,874.00.¹ These funds will be borrowed from the United States of America, acting by and through the Administrator of the Rural Utilities Service (“RUS”). Pursuant to KRS 278.300(10) the Commission's approval of evidences of indebtedness in connection with this loan will not be required.

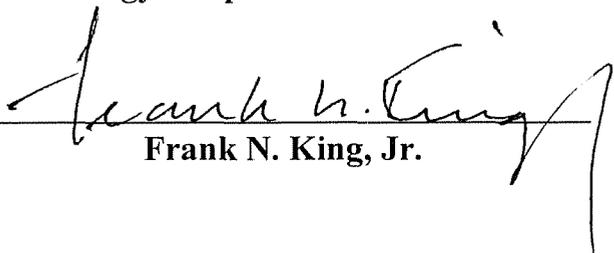
(i) After the proposed facilities are completed the estimated cost of operation is set forth in Kenergy’s 2007-2016 Financial Forecast which utilizes assumptions in accordance with RUS guidelines. Excerpts from the Financial Forecast are attached as “Exhibit E” and include RUS Form 325c-Statement of Operations, which shows projected expenses after the proposed facilities are completed. A certified copy of the resolution of Kenergy’s board of directors approving said Financial Forecast is attached as “Exhibit F.”

(j) The system improvements and construction referenced herein are necessary and desirable to furnish reliable and adequate service to the applicant's member customers, to serve new customers within the applicant's service area which applicant is obligated to serve, and are in the best interest of the applicant, its member customers and potentially new customers within said service area. There should be issued by this Commission a certificate that convenience and necessity require such construction.

¹RUS Form 740c (“Exhibit A”) shows total estimate of \$31,622,000.00. This figure includes \$2,190,142.00 reimbursement for May and June 2007 work.

WHEREFORE, applicant asks that the Public Service Commission of the Commonwealth of Kentucky make its order issuing a certificate of convenience and necessity authorizing the applicant to proceed with the construction outlined in the CWP and applicant further requests all proper relief.

DORSEY, KING, GRAY, NORMENT & HOPGOOD
318 Second Street
Henderson, Kentucky 42420
Telephone 270 - 826-3965
Telefax 270 - 826-6672
counsel for Kenergy Corp.

By  .
Frank N. King, Jr.

KY 65 D44

REIMBURSEMENT SCHEDULE

<u>Month</u>	<u>219's</u>	<u>Special Equipment</u>	<u>TOTAL</u>
May 2007	\$ 1,403,459.30	\$ 43,729.03	
June 2007	\$ 673,545.82	\$ 69,407.86	
	<u>\$ 2,077,005.12</u>	<u>\$ 113,136.89</u>	<u>\$ 2,190,142.01</u>

SECTION A. COST ESTIMATES (cont.)		BORROWER'S COST ESTIMATES	RUS USE ONLY
1400	5. ACQUISITIONS		
	a. _____ Consumers _____ Miles		
	b. _____		
	TOTAL ACQUISITIONS.	\$0	
1500	6. ALL OTHER		
	a. _____		
	b. _____		
	c. _____		
	d. _____		
	e. _____		
	TOTAL ALL OTHER.	\$0	

SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING

1. GRAND TOTAL - ALL COSTS		\$31,622,000	
2. FUNDS AND MATERIALS AVAILABLE FOR FACILITIES			
a. Loan Funds	\$0		
b. Materials and Special Equipment	0		
c. General Funds			
Purpose 1	\$0.00		
Purpose 2	_____		
Purpose 3	_____		
Purpose 4	_____		
Total General Funds Applied	\$0.00		
d. Total Available Funds and Materials		\$0	
3. NEW FINANCING REQUESTED FOR FACILITIES		\$31,622,000	
4. TREASURY RATE LOAN REQUESTED FOR FACILITIES	100%	\$31,622,000	
5. TOTAL SUPPLEMENTAL LOAN REQUESTED	0%		
<i>Name of Supplemental Lender</i>			
6. CAPITAL TERM CERTIFICATE PURCHASES (CFC Loan only)			
7. SUPPLEMENTAL LOAN REQUESTED FOR FACILITIES			
8. 100% SUPPLEMENTAL LOANS (SEE RUS Bulletin 20-40, Att. C)*			

* Identify in section A by budget purpose and separate subtotals.

SECTION C. CERTIFICATION

We, the undersigned, certify that:

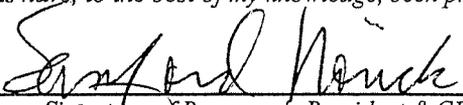
1. Upon completion of the electrical facilities contained herein and any others uncompleted at this time but for which financing is available, the system will be capable of adequately and dependably serving the projected load for the loan period as contained in our current RUS approved Power Requirement Study and Construction Work Plan.
2. Negotiations have been or will be initiated with our power supplier, where necessary, to obtain new delivery points and/or additional capacity at existing ones to adequately supply the projected load upon which this loan application is based.
3. The data contained herein and all supporting documents have, to the best of my knowledge, been prepared correctly and in accordance with RUS Bulletin 20-2.

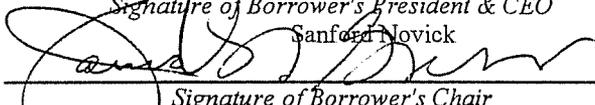
8/14/2007

Date

8/14/2007

Date



 Signature of Borrower's President & CEO
 Sanford Novick


 Signature of Borrower's Chair
 James N. Grant

KENERGY CORP

Corporate Name of Borrower

GFR Initials



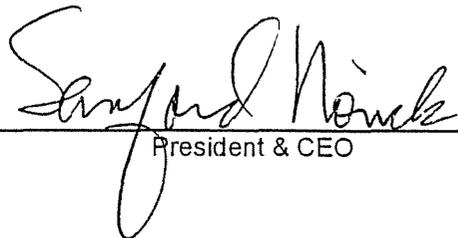
STATEMENT

Statement certifying that at least 90% of the Loan funds are for facilities with a useful life of 33 years or longer as required by 7 CFR 1710.115.

To facilitate the determination of the final maturity for this RUS Loan,
Sanford Novick
does hereby certify that:

- At least 90% of the Loan funds requested as part of this loan application and included on the RUS Form 740c (Cost Estimates and Loan Budget for Electric Borrowers) are for facilities with an anticipated useful life of 33 years or longer.
- Less than 90% of the Loan funds requested as part of this loan application and included on the RUS Form 740c (Cost Estimates and Loan Budget for Electric Borrowers) are for facilities with an anticipated useful life of 33 years or longer. A schedule has been attached to this statement listing the facilities with an anticipated useful life of less than 33 years, the anticipated useful life of those facilities and the associated cost estimates (see attached).

8/14/2007
Date

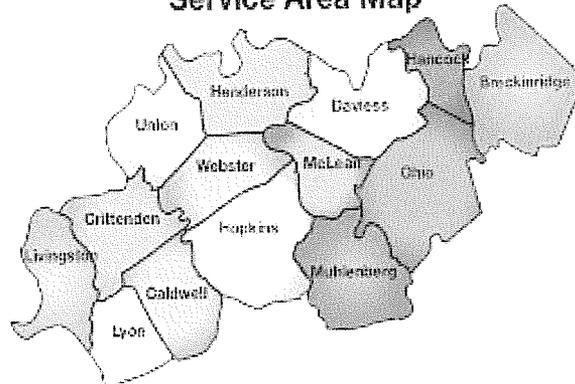
Title: 
President & CEO

KY 65 2007-2010 Construction Work Plan

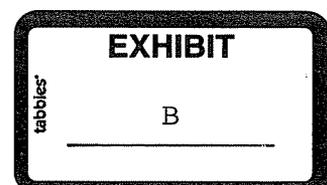
Kenergy Corp
Henderson, Kentucky



Service Area Map



June 2007



EXECUTIVE SUMMARY

Purpose of Report

This 2007-2010 Construction Work Plan (“CWP”) documents the engineering analysis and proposed system improvements recommended for Kenergy Corp (“Kenergy”) to provide satisfactory and reliable service to its customers through the summer peak of 2009 and the winter peak of 2009-2010. R. W. Beck, Inc. (“Beck”) was retained to assist Kenergy in the preparation of the CWP. Included within is engineering support for a loan application to RUS to finance the proposed construction program. The engineering support includes descriptions, estimated costs and justification of improvements.

Service Area and Power Supply

Kenergy provides service to approximately 53,860 customers located in all or parts of Caldwell, Crittenden, Henderson, Hopkins, Livingston, Lyon, Union, Breckinridge, Daviess, Hancock, McLean, Muhlenberg, Ohio, and Webster Counties in northwestern Kentucky.

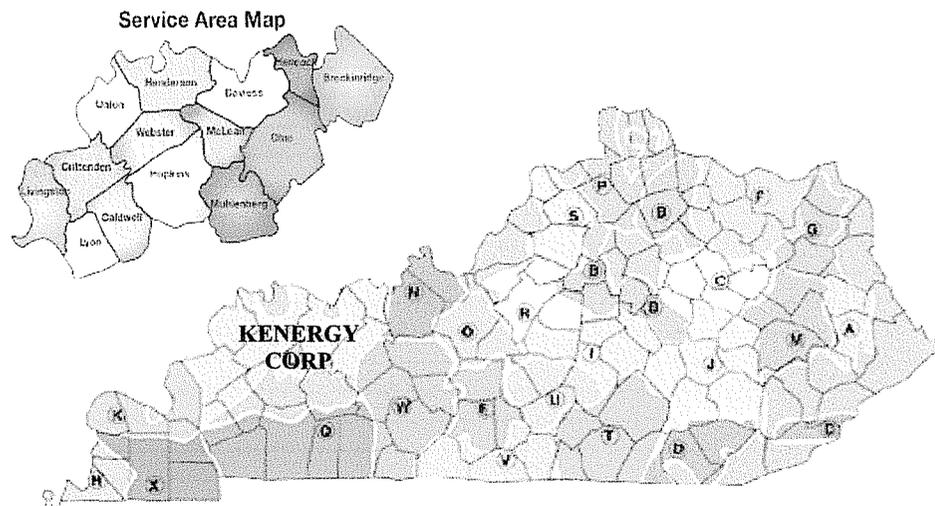


Figure ES-1: Location Map

Note: Map from the Kentucky Association of Electric Cooperatives, Inc.

EXECUTIVE SUMMARY

Kenergy purchases power from Big Rivers Electric Corporation (“BREC”) pursuant to a contract covering the rural system and all commercial customers except two smelters (where partial-requirements apply). A tabulation of general operating statistics for the calendar years 2005 and 2006 from RUS Form 7 are shown in Table ES-1.

**Table ES-1
General System Operating Statistics**

	2005	2006
Miles of Distribution Line	6,915	6,944
Year-End consumers per Month Served	53,264	53,860
Consumers per Mile	7.70	7.76
Average Residential Consumption (kWh/mo)	1,749	1,717
Total Rural System MWh Purchased ⁽¹⁾	1,172,365	1,155,880
Total Rural System MWh Sold ^{(1) (2)}	1,116,339	1,107,892
Percent System Losses for Rural System	4.78%	4.15%

Note:

(1) Rural System Sales and Purchases provided by Kenergy Corp.

(2) Includes own use.

BREC constructs, owns, and operates the 69 kV transmission system supplying power to the 50 delivery points on the Kenergy system. Kenergy owns all of the substations serving the distribution system. The distribution system includes 188 circuits operated at 24.9/14.4 kV or 12.5/7.2 kV. The installed overhead conductor sizes range from #8 CWC to 795 kcmil ACSR, and the underground cable sizes range from #2 Al to 750 MCM Al.

Results of Proposed Construction

On completion of the proposed construction program, the system will adequately serve the 2009 summer peak load of 293.1 MW and the 2009-2010 winter peak load of 271.6 MW as projected in the 2005 Load Forecast prepared by Kenergy. The CWP was prepared to provide adequate and dependable service to 56,742 customers with total annual sales of 1,334,518 MWh in 2010.

A detailed description of the proposed system improvements is given in Section 2. This CWP includes carryovers from the previous 2004-2007 CWP. The proposed system improvements are identified in the 740c Detail following the RUS Form 740c and are summarized in Table ES-2.

**Table ES-2
System Improvements and Additions Summary**

RUS Code	Item	Estimated Cost
100	New Construction	\$11,816,411
200	New Tie Lines	\$27,800
300	Line Conversions	\$4,778,270
400	New Substations	\$0
500	Substation Improvements	\$35,150
600	Miscellaneous Distribution Equipment	\$11,627,643
700	Security Lights	\$1,146,600
TOTAL CWP Improvements		(1) \$29,431,874

Notes:

(1) Kenergy's past experience indicates there is approximately \$1,000,000 per year in Minor Capital projects not identified in advance but qualify for loan funds based on RUS criteria. Financing these projects is in lieu of other planned improvements. This will likely result in a loan application sooner than anticipated.

General Basis of Study

The projected system peak load and number of customers served used in this report were based on the 2005 Load Forecast prepared by Kenergy. The analyses are based on the economic evaluation of alternatives presented in the System Planning Report ("SPR"). Recommendations for this CWP were based on these analyses.

Kenergy's current operations and maintenance review (Review Rating Summary, RUS Form 300) was used to determine construction required to replace physically deteriorated equipment and material, upgrade portions of the system to conform with code or safety requirements, and/or improve reliability or quality of service.

New distribution and power supply construction requirements were considered simultaneously as a "one system" approach for the orderly and economical development of the total system. All of the proposed construction and recommendations herein, relative to power supply and delivery, were discussed with Kenergy's power supplier, BREC.

Details and estimated costs of the line and equipment changes and the additional requirements to serve 2,847 new customers during the work plan period are included in Section 2. An estimated cost of necessary service upgrades to existing customers is also included in Section 2.

An analysis, using RUS guidelines as a basis and the design criteria herein, of thermal loading, service voltages, physical conditions and reliability, was performed on all of the substations, distribution lines and major equipment of the existing system. Milsoft Integrated Solutions, Inc.'s Windmil™ software was used to analyze the distribution circuits for the projected summer 2009 peak load of 293.1 MW and the projected winter 2009-2010 peak load of 271.6 MW. Sample printout from the software are

EXECUTIVE SUMMARY

given in Appendices A and B to illustrate before and after improvement results. The criteria presented in Section 1 forms the rest of the basis of this analysis.

In the preparation of this Report, including the opinions contained herein, we have made certain assumptions and used certain considerations with respect to conditions which may occur in the future. While we believe these considerations and assumptions are reasonable and reasonably attainable based upon conditions known to us as of the date of this Report, they are dependent upon future events, and actual conditions may differ from those assumed. We have also relied upon certain information provided to us by others. To the extent actual future conditions differ from those assumed herein or from the assumptions provided by others, the actual results will vary from those estimated. Field conditions encountered during design will affect some of the projects.

Sample CWP Projects

For each identified project in the 2007-2010 Construction Work Plan, a description as well as a map of the area of interest is provided in Section 2 of this report. The following are examples of two different CWP projects.

Sullivan – Circuit 2

▪ RUS CODE – 352 \$289,790 in LL2

Description: Transfer single-phase section 3213 from A-phase to B-phase. Also, move load to Providence by transferring section 3386 to section 3387. Relocate 1,000 kVA step-transformer 8805 from section 3389 to section 3382, and convert 19.5 miles of single phase, 0.75 miles of two-phase, and 7.3 miles of three-phase to 25 kV. The project is recommended to improve voltage deficiencies (Design Criteria #1). Before improvements, a minimum voltage of 115.4 V was calculated. With the recommendations, voltage improved to 120.8 V. See Figure ES-2 for a geographic representation of the location of the project.

Sectionalizing: Replace seven single-phase 7.2 kV reclosers with 14.4 kV single-phase reclosers in the converted area. The cost is not included in this project, but is in the general sectionalizing fund 603.

Alternatives: The conversion was selected to avoid the cost of upgrading approximately 2.3 miles to 336 ACSR on Sullivan Circuit 2 and constructing 0.38 miles of #1/0 ACSR to transfer load on the circuit.

EXECUTIVE SUMMARY

Whitesville – Circuit 3

▪ RUS CODE – 330 (Carry-over)

\$133,000 in LL1

Description: Reconductor three-phase line sections 1192 and 593 from #4 ACSR to #4/0 ACSR for 2.5 miles. Transfer single-phase section 594 from B-phase to A-phase, and transfer single-phase section 1799 from B-phase to C-phase. The project is recommended to relieve conductor loading and improve voltage deficiencies (Design Criteria #4 and #1). Before improvements, a maximum conductor loading of 51% and a minimum voltage of 112.6 V was calculated. With the recommended improvements, conductor loading decreased to 12% and voltage improved to 119.1 V. See Figure ES-3 for a geographic representation of the location of the project.

Sectionalizing: Device coordination was reviewed based on the suggested improvements, and no improvements are recommended.

Alternatives: The addition of a regulator was not considered an option due to the fact that there is currently a regulator on the circuit. Also, the single-phase tap is radial with no available load transfer options.

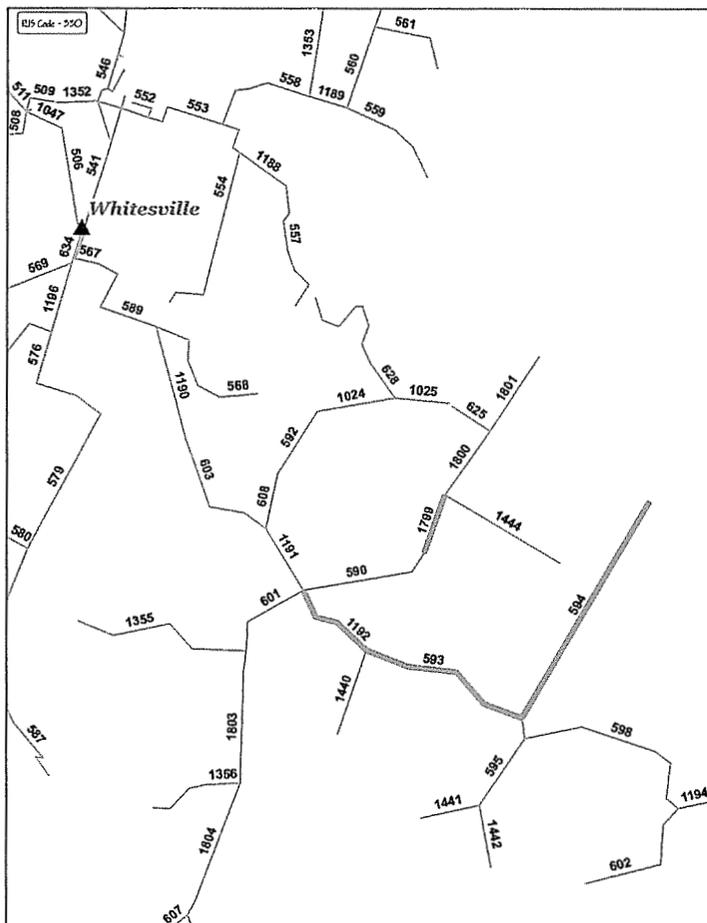


Figure ES-3: RUS CODE 330 (Carry-Over)



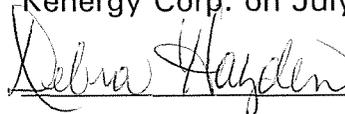
P.O. Box 1389 ♦ 3111 Fairview Drive
Owensboro, Kentucky 42302-1389
(270) 926-4141 ♦ FAX (270) 685-2279
(800) 844-4732

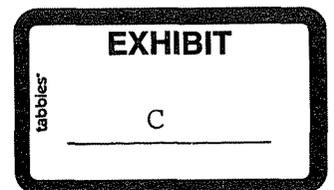
EXCERPT FROM THE MINUTES OF
A MEETING OF THE BOARD OF DIRECTORS
OF KENERGY CORP.

WHEREAS, a construction work plan for 2007-2010 has been prepared by Kenergy Corp.'s engineering staff and consultants, reviewed by management, and discussed with the board.

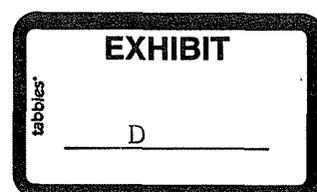
NOW THEREFORE, BE IT RESOLVED, that the board of directors adopts the construction work plan as a plan of action to be followed by the President and staff until superseded by a revised construction work plan duly adopted and transmitted to RUS for concurrence.

I, Debra Hayden, Assistant Secretary, certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors of Kenergy Corp. on July 10, 2007.





THREE (3) SETS OF R. W. BECK 2007-2010 CONSTRUCTION WORK PLAN,
INCLUDING REQUIRED MAPS, ARE SUBMITTED WITH THE APPLICATION.





JULY 26, 2007

2007 - 2016 FINANCIAL FORECAST

STATEMENT OF ASSUMPTIONS

BASE CASE

Kenergy Corp. has developed this financial forecast based on certain planning documents developed earlier and certain assumptions described here. We have listed those documents that have already received RUS approvals, as required by our loan agreement with RUS, and described any subsequent adjustments to them that have become necessary. We have also stated the assumptions which we believe may have a material effect on the "pro forma" financial statements which summarize this forecast.

- A. LOAD ESTIMATES
- B. PLANT ADDITIONS
- C. POWER COST
- D. OPERATING REVENUES
- E. OPERATING EXPENSES
- F. NON-OPERATING ITEMS
- G. FINANCING ASSUMPTIONS
- H. TIMES INTEREST EARNED RATIO
- I. CAPITAL MANAGEMENT POLICY

A. LOAD ESTIMATES Estimates of energy requirements were developed in the 2007 Load Forecast, which has been approved by the RUS GFR for use in this financial forecast. The industrial consumers are included in other 1, Century and Alcan (the aluminum smelters and mill); and other 2, the special contract industrials with dedicated substations.

B. PLANT ADDITIONS The capital additions to plant were derived from the 2007-2010 Construction Work Plan prepared by R.W Beck and the Kenergy Engineering Staff. The work plan includes new substations in 2010, 2013, and 2016. General plant additions for 2007 were based on the 2007 budget and consist primarily of normal vehicle replacements. Future plant expenditures were escalated 4% per year for inflation.

C. POWER COST No increases in power cost for the rural system were included in this base case scenario based on the latest information provided by Big Rivers. The smelter load requirements are currently served by LG&E Energy Marketing for TIER 1 and TIER 2 requirements, approximately two-thirds of their power needs, with the other third priced at market rates. The two smelter contracts expire in 2010 and 2011, at which time the smelters will get 100% of their power needs at market rates. Consequently, the forecast shows rate increases for the two smelters from 2011-2016 based on power cost projections provided by ACES.

D. OPERATING REVENUES & TIER Revenue estimates from the sale of electric energy were made utilizing the 2006 revenue per KWH, and increased 7% to reflect the rate increase which was effective March 1, 2007. Additional revenues are required every two years starting in 2009. It is the policy of Kenergy to smooth out the impact of future rate increases by going in for smaller rate cases more often.

E. OPERATING EXPENSES The 2007 expenses were based on the 2007 operating budget. A 4% escalation per year was applied to the 2007 budget expenses, reflecting a 3% inflation rate and restoring some of the 2007 budget cuts. Depreciation expense was based on the recently approved depreciation study, which also included another ½% increase in 2012.

F. NON-OPERATING ITEMS Interest income from short term investments was projected to increase over the forecast period.

G. FINANCING (INTEREST) ASSUMPTIONS For the purpose of this forecast, we have assumed that RUS will continue to provide 100% of our needs for borrowed funds through the Treasury rate loan program. General funds will be used to finance general plant, which consists primarily of transportation equipment. General funds will also be used to finance a portion of distribution plant to help build equity. RUS notes 36-43 are 0% Rural Development loans. Future RUS loan funds are projected using the RUS interest guideline of 5.5%.

H. CAPITAL MANAGEMENT POLICY The Kenergy Board of Directors has approved a capital management policy, which includes a target equity to total capital ratio of 30 - 40% and provides for general and estate retirements of capital credits. No general capital credit retirements are included in the forecast to allow the equity to total capital ratio to increase to approximately 35% from 30% in 2007. Capital credits will still be returned to estates.

This forecast represents conditions as of this date; however there are scenarios which could significantly affect the projections, such as the Big Rivers "Unwind." This statement of assumptions applies to the financial forecast identified by its date: 7-26-2007 Base Case.

ITEM	** Last Year **		** Future Years **								
	30.9 2006	30.7 2007	29.9 2008	30.5 2009	30.7 2010	32.0 2011	32.9 2012	33.7 2013	34.5 2014	35.1 2015	35.8 2016
Equity/Total Debt + Equity											
Ratios with Additional Revenue											
1. Equity/Total Assets	24.8%	25.1%	25.2%	25.9%	26.2%	27.2%	27.7%	28.8%	29.5%	30.9%	31.9%
2. Debt Service Coverage (DSC)	1.04	1.71	1.57	1.75	1.58	1.73	1.62	1.73	1.66	1.85	1.77
3. Times Interest Earned Ratio (TIER)	0.70	1.52	1.30	1.59	1.36	1.61	1.38	1.58	1.49	1.68	1.59
Revenue Comparison											
4. Average Revenue per Mwh	\$ 34.52	\$ 37.04	\$ 37.02	\$ 38.00	\$ 38.09	\$ 46.61	\$ 52.07	\$ 52.84	\$ 54.06	\$ 56.32	\$ 57.87
5. Increase in Average Revenue (Annual)		7.3%	-0.1%	2.7%	0.2%	22.4%	11.7%	1.5%	2.3%	4.2%	2.8%
6. Total Utility Plant per Mwh Sold	\$ 23.21	\$ 23.95	\$ 24.87	\$ 25.81	\$ 26.80	\$ 27.81	\$ 28.77	\$ 29.82	\$ 30.82	\$ 31.84	\$ 33.04
Ratios to Total Utility Plant											
7. Net General Funds	0.7%	2.4%	2.8%	4.3%	5.1%	6.1%	6.8%	7.6%	8.6%	9.6%	10.2%
8. Depreciation & Amortization	22.1%	22.9%	23.8%	24.6%	25.4%	26.1%	27.2%	28.2%	29.2%	30.2%	31.0%
Ratios to Consumers											
9. Operations & Maintenance	\$ 238.70	\$ 221.24	\$ 230.05	\$ 233.09	\$ 239.05	\$ 245.18	\$ 251.46	\$ 257.95	\$ 264.85	\$ 271.93	\$ 279.35
10. Administrative & General	\$ 61.57	\$ 61.87	\$ 63.52	\$ 65.13	\$ 66.79	\$ 68.50	\$ 70.26	\$ 72.07	\$ 74.00	\$ 75.98	\$ 78.05
Rate Information											
11. Plant Revenue Ratio	7.67	6.75	6.83	6.38	6.55	6.22	6.36	6.13	6.25	6.03	6.18
12. Rate of Return on Rate Base	4.8%	4.8%	4.3%	5.6%	4.9%	6.0%	5.1%	6.0%	5.6%	6.4%	5.9%
13. Rate Base = 104% Nat Utility Plant / 1000	\$ 181,222	\$ 181,222	\$ 186,292	\$ 191,865	\$ 197,665	\$ 203,708	\$ 208,243	\$ 213,589	\$ 218,100	\$ 222,827	\$ 229,080
14. Required Increase Over Present Rates	0.0%	0.0%	0.0%	2.4%	2.5%	25.3%	39.7%	41.5%	44.5%	50.2%	54.0%
Modified Ratios											
5. Operating Debt Service Coverage	1.58	1.58	1.45	1.62	1.46	1.60	1.50	1.61	1.54	1.71	1.64
6. Modified Times Interest Earned Ratio	1.50	1.50	1.28	1.58	1.35	1.60	1.37	1.57	1.48	1.67	1.58
7. Operating Times Interest Earned Ratio	1.33	1.33	1.11	1.41	1.19	1.43	1.20	1.39	1.30	1.49	1.38

Pro Forma Balance Sheet - RUS Form 326 B

ITEM	2008	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Assets and Other Debits											
A. Total Utility Plant	\$ 217,727,353	\$ 226,210,476	\$ 235,166,966	\$ 244,772,640	\$ 254,762,885	\$ 265,170,077	\$ 275,113,997	\$ 286,061,019	\$ 296,403,768	\$ 307,160,524	\$ 319,650,506
B. Accum. Prov. for Depr.	48,193,715	51,957,999	56,040,013	60,286,739	64,700,201	69,296,385	74,880,082	80,686,978	86,691,297	92,903,406	99,380,773
C. Net Utility Plant	\$ 169,533,638	\$ 174,252,477	\$ 179,126,953	\$ 184,485,901	\$ 190,062,684	\$ 195,873,692	\$ 200,233,915	\$ 205,374,041	\$ 209,712,471	\$ 214,257,118	\$ 220,269,733
D. Net General Funds	1,515,630	5,470,080	6,555,693	10,630,055	12,941,859	16,068,125	18,779,338	21,665,812	25,412,944	29,406,547	32,492,831
E. General Funds Excludable	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260
F. Other Assets and Debits	35,555,319	35,663,319	35,767,319	35,868,319	35,966,319	36,061,319	36,152,319	36,240,319	36,324,319	36,405,319	36,484,319
G. Total Assets & Other Debits	\$ 212,260,847	\$ 221,042,136	\$ 227,106,225	\$ 236,640,535	\$ 244,627,122	\$ 253,659,396	\$ 260,821,832	\$ 268,936,432	\$ 277,105,994	\$ 285,725,244	\$ 294,903,143
2. Liabilities and Other Credits											
A. Total Margins & Equities	\$ 52,548,483	\$ 55,386,964	\$ 57,137,219	\$ 61,249,658	\$ 64,002,897	\$ 69,001,901	\$ 72,235,328	\$ 77,396,057	\$ 81,840,223	\$ 88,334,694	\$ 93,982,848
B. Long Term Debt - RUS	4,837	0	0	0	0	0	0	0	0	0	0
1. Long Term Debt - 2%											
2. Long Term Debt - 5%											
3. Long Term Debt -(Post 6/83)	109,583,785	117,809,918	128,669,201	135,790,622	142,777,305	148,685,089	154,613,102	159,693,948	165,677,928	169,550,468	174,780,095
Total Long Term Debt - RUS	\$ 109,588,622	\$ 117,809,918	\$ 128,669,201	\$ 135,790,622	\$ 142,777,305	\$ 148,685,089	\$ 154,613,102	\$ 159,693,948	\$ 165,677,928	\$ 169,550,468	\$ 174,780,095
C. Long Term Debt - CFC	24,802,799	23,414,308	21,968,859	20,469,309	18,915,974	17,291,460	15,592,456	13,815,481	11,956,897	10,659,136	9,459,254
D. Other Liabilities & Credits	25,320,943	24,430,946	19,330,946	19,130,946	18,930,946	18,680,946	18,380,946	18,030,946	17,630,946	17,180,946	16,680,946
E. Unamortized Debt Discount	0	0	0	0	0	0	0	0	0	0	0
F. Total Liabilities & Credits	\$ 212,260,847	\$ 221,042,136	\$ 227,106,225	\$ 236,640,535	\$ 244,627,122	\$ 253,659,396	\$ 260,821,832	\$ 268,936,432	\$ 277,105,994	\$ 285,725,244	\$ 294,903,143

Financial Forecast - Ratios - RUS Form 325 A

** Future Years **

** Last Year **

ITEM	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ratios with Additional Revenue											
1. Equity	24.8%	25.1%	25.2%	25.9%	26.2%	27.2%	27.7%	28.8%	29.5%	30.9%	31.9%
2. Debt Service Coverage (DSC)	1.04	1.71	1.57	1.75	1.58	1.73	1.62	1.73	1.66	1.85	1.77
3. Times Interest Earned Ratio (TIER)	0.70	1.52	1.30	1.59	1.36	1.61	1.38	1.58	1.49	1.68	1.59
Revenue Comparison											
4. Average Revenue per Mwh	\$ 34.52	\$ 37.04	\$ 37.02	\$ 38.00	\$ 38.09	\$ 42.71	\$ 53.84	\$ 55.12	\$ 55.23	\$ 56.51	\$ 56.60
5. Increase in Average Revenue (Annual)		7.3%	-0.1%	2.7%	0.2%	12.1%	26.1%	2.4%	0.2%	2.3%	0.2%
6. Total Utility Plant per Mwh Sold	\$ 23.21	\$ 23.95	\$ 24.87	\$ 25.81	\$ 26.80	\$ 49.75	\$ 122.96	\$ 126.12	\$ 129.25	\$ 132.16	\$ 136.02
Ratios to Total Utility Plant											
7. Net General Funds	0.7%	2.4%	2.8%	4.3%	5.1%	6.1%	6.8%	7.6%	8.6%	9.6%	10.2%
8. Depreciation & Amortization	22.1%	22.9%	23.8%	24.6%	25.4%	26.1%	27.2%	28.2%	29.2%	30.2%	31.0%
Ratios to Consumers											
9. Operations & Maintenance	\$238.70	\$221.24	\$230.05	\$233.09	\$239.05	\$245.18	\$251.47	\$257.96	\$264.85	\$271.94	\$279.36
10. Administrative & General	\$61.57	\$61.87	\$63.52	\$65.13	\$66.79	\$68.51	\$70.26	\$72.08	\$74.00	\$75.98	\$78.05
Rate Information											
11. Plant Revenue Ratio	7.67	6.75	6.83	6.38	6.55	6.22	6.36	6.13	6.25	6.03	6.18
12. Rate of Return on Rate Base	4.8%	4.8%	4.3%	5.6%	4.9%	6.0%	5.1%	6.0%	5.6%	6.4%	5.9%
13. Rate Base = 104% Net Utility Plant / 1000	\$181,222	\$181,222	\$186,292	\$191,865	\$197,665	\$203,708	\$208,243	\$213,589	\$218,100	\$222,827	\$229,080
14. Required Increase Over Present Rates	0.0%	0.0%	0.0%	2.4%	2.5%	5.7%	5.9%	8.1%	8.0%	10.2%	10.1%
Modified Ratios											
15. Modified Debt Service Coverage	1.70	1.70	1.56	1.74	1.57	1.72	1.61	1.73	1.66	1.84	1.77
16. Modified Times Interest Earned Ratio	1.50	1.50	1.28	1.58	1.35	1.60	1.37	1.57	1.48	1.67	1.58
17. Operating Times Interest Earned Ratio	1.33	1.33	1.11	1.41	1.19	1.43	1.20	1.39	1.30	1.49	1.38
Pro Forma Balance Sheet - RUS Form 325 B											
1. Assets and Other Debits											
A. Total Utility Plant	\$217,727,353	\$226,210,476	\$235,166,966	\$244,772,640	\$254,762,885	\$265,170,077	\$275,113,997	\$286,061,019	\$296,403,768	\$307,160,524	\$319,650,506
B. Accum. Prov. for Depr.	48,193,715	51,957,999	56,040,013	60,286,739	64,700,201	69,296,385	74,880,082	80,686,978	86,691,297	92,903,406	99,380,773
C. Net Utility Plant	\$169,533,638	\$174,252,477	\$179,126,953	\$184,485,901	\$190,062,684	\$195,873,692	\$200,233,915	\$205,374,041	\$209,712,471	\$214,257,118	\$220,269,733
D. Net General Funds	1,515,630	5,470,080	6,555,693	10,630,055	12,941,859	16,068,125	18,779,338	21,665,812	25,412,944	29,406,547	32,492,831
E. General Funds Excludable	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260	5,656,260
F. Other Assets and Debts	35,555,319	35,663,319	35,767,319	35,868,319	35,966,319	36,061,319	36,152,319	36,240,319	36,324,319	36,405,319	36,484,319
G. Total Assets & Other Debits	\$212,260,847	\$221,042,136	\$227,106,225	\$236,640,535	\$244,627,122	\$253,659,396	\$260,821,832	\$268,936,432	\$277,105,994	\$285,725,244	\$294,903,143
2. Liabilities and Other Credits											
A. Total Margins & Equities	\$ 52,548,483	\$ 55,386,964	\$ 57,137,219	\$ 61,249,658	\$ 64,002,897	\$ 69,001,901	\$ 72,235,328	\$ 77,396,057	\$ 81,840,223	\$ 86,334,694	\$ 93,982,848
B. Long Term Debt - RUS											
1. Long Term Debt - 2%	4,837	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	0	0	0	0	0	0	0	0	0	0	0
3. Long Term Debt - (Post 6/83)	109,583,785	117,809,918	128,669,201	135,790,622	142,777,305	148,685,089	154,613,102	159,693,948	165,677,928	169,550,468	174,780,095
Total Long Term Debt - RUS	\$109,588,622	\$117,809,918	\$128,669,201	\$135,790,622	\$142,777,305	\$148,685,089	\$154,613,102	\$159,693,948	\$165,677,928	\$169,550,468	\$174,780,095
C. Long Term Debt - CFC	24,802,799	23,414,308	21,968,859	20,469,309	18,915,974	17,291,460	15,592,456	13,815,481	11,956,897	10,659,136	9,459,254
D. Other Liabilities & Credits	25,320,943	24,430,946	19,330,946	19,130,946	18,930,946	18,680,946	18,380,946	18,030,946	17,630,946	17,180,946	16,680,946
E. Unamortized Debt Discount	0	0	0	0	0	0	0	0	0	0	0
F. Total Liabilities & Credits	\$212,260,847	\$221,042,136	\$227,106,225	\$236,640,535	\$244,627,122	\$253,659,396	\$260,821,832	\$268,936,432	\$277,105,994	\$285,725,244	\$294,903,143

ITEM	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Accrual Basis										
A1. Addit. Rev. for TIER & DSC Goals										
A2. Oper. Rev. & Pat. Cap(Present Rates)	\$349,984,115	\$349,984,115	\$351,801,374	\$353,241,044	\$354,736,559	\$356,371,361	\$358,256,001	\$359,878,982	\$361,776,149	\$363,455,803
B. Cost of Purchased Power	316,225,383	315,559,284	321,969,279	323,225,228	401,829,286	454,538,629	460,079,994	472,445,010	492,325,997	508,120,780
C. Oper. Revenue less Cost of Power	\$ 33,509,659	\$ 34,424,831	\$ 38,559,932	\$ 38,867,789	\$ 42,603,200	\$ 43,254,578	\$ 46,700,047	\$ 47,406,980	\$ 50,955,417	\$ 51,692,821
D. Operations & Maintenance Expense	12,040,746	12,672,375	13,023,271	13,544,202	14,085,970	14,649,409	15,235,385	15,844,800	16,478,592	17,137,736
E. Consumer Acc. & Sales Expense	2,958,529	3,076,870	3,199,945	3,327,943	3,461,061	3,599,503	3,743,483	3,893,223	4,048,951	4,210,910
F. Adm. & Gen. & Other Ded. Expense	3,367,246	3,498,815	3,638,769	3,784,319	3,935,692	4,093,119	4,256,844	4,427,118	4,604,203	4,788,371
G. Depreciation & Amortization Expense	7,227,032	7,689,960	8,004,065	8,330,746	8,671,062	9,021,570	9,381,378	9,747,615	10,119,631	10,497,823
H. Tax Expense	274,910	285,908	297,343	309,236	321,606	334,470	347,849	361,763	376,233	391,283
I. Interest Expense	5,740,855	6,472,438	7,229,749	8,036,018	8,446,876	8,929,932	9,229,289	9,440,477	9,724,868	9,917,822
J. Amortized Gain on Prepayment	0	0	0	0	0	0	0	0	0	0
K. Total Cost of Electric Service	\$347,834,701	\$349,255,650	\$357,362,421	\$360,557,692	\$440,751,553	\$495,966,632	\$503,105,222	\$516,994,006	\$538,524,475	\$555,978,425
L. Patronage Capital & Oper. Margins	1,900,341	728,465	2,966,790	1,535,325	3,680,933	1,826,575	3,674,819	2,857,984	4,756,939	3,835,176
M. Nonoperating Margins	1,030,140	1,117,790	1,244,649	1,319,914	1,423,071	1,515,852	1,597,910	1,702,182	1,856,532	1,933,978
N. G. & T. and Other Capital Credits	108,000	104,000	101,000	98,000	95,000	91,000	88,000	84,000	81,000	79,000
O. CFC Capital Credits	0	0	0	0	0	0	0	0	0	0
P. Total Accrual Margins	\$ 3,038,481	\$ 1,950,255	\$ 4,312,439	\$ 2,953,239	\$ 5,199,004	\$ 3,433,427	\$ 5,360,729	\$ 4,644,166	\$ 6,694,471	\$ 5,848,154
2. Cash Basis										
A. Cash from Operations before D. S.	\$ 15,976,023	\$ 16,086,308	\$ 19,522,908	\$ 19,299,658	\$ 22,299,597	\$ 22,171,584	\$ 24,792,051	\$ 24,659,913	\$ 27,381,625	\$ 27,176,154
B. Total Debt Service	9,406,054	10,287,092	11,223,101	12,299,274	12,969,335	13,749,648	14,359,576	14,895,661	14,861,657	15,355,425
C. Cash Margins after Debt Service	\$ 6,569,969	\$ 5,799,216	\$ 8,299,807	\$ 7,000,384	\$ 9,330,262	\$ 8,421,936	\$ 10,432,475	\$ 9,764,252	\$ 12,519,968	\$ 11,820,729
1. Summary of General Funds										
A. Net General Funds Beginning of Year	\$ 1,515,630	\$ 5,470,080	\$ 6,555,693	\$ 10,630,055	\$ 12,941,859	\$ 16,068,125	\$ 18,779,338	\$ 21,665,812	\$ 25,412,944	\$ 29,406,547
B. Cash Margins After Debt Service	6,569,969	5,799,216	8,299,807	7,000,384	9,330,262	8,421,936	10,432,475	9,764,252	12,519,968	11,820,729
C. Other Proceeds	0	0	0	0	0	0	0	0	0	0
D. Sale of Excludable Items	0	0	0	0	0	0	0	0	0	0
E. Reimbursement of General Funds	0	2,190,142	0	0	0	0	0	0	0	0
F. Refund of G. & T. Capital Credits	0	0	0	0	0	0	0	0	0	0
G. Refund of CFC Capital Credits	0	0	0	0	0	0	0	0	0	0
H. Refund of Capital Term Certificates	0	0	0	0	0	0	0	0	0	0
2. Total General Funds Available	\$ 8,085,599	\$ 13,459,438	\$ 14,855,500	\$ 17,630,439	\$ 22,272,121	\$ 24,490,061	\$ 29,211,813	\$ 31,430,064	\$ 37,932,912	\$ 41,227,276
3. Proposed Uses of General Funds										
A. Purchase of Excludable Items	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
B. Capital Credit Refirements	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
C. General Funds Invested in Plant	1,525,519	1,603,745	3,825,445	4,288,580	5,753,996	5,210,723	6,996,001	5,417,120	7,876,365	8,034,445
D. Purchase of Capital Term Certif.	0	0	0	0	0	0	0	0	0	0
E. Other Uses of General Funds	890,000	5,100,000	200,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000
4. Total Proposed Uses - General Funds	\$ 2,615,519	\$ 6,903,745	\$ 4,225,445	\$ 4,688,580	\$ 6,203,996	\$ 5,710,723	\$ 7,546,001	\$ 6,017,120	\$ 8,526,365	\$ 8,734,445
5. Net General Funds - End of Year	\$ 5,470,080	\$ 6,555,693	\$ 10,630,055	\$ 12,941,859	\$ 16,068,125	\$ 18,779,338	\$ 21,665,812	\$ 25,412,944	\$ 29,406,547	\$ 32,492,831

General Funds Summary - RUS Form 325 D



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EXCERPT FROM THE MINUTES OF
A MEETING OF THE BOARD OF DIRECTORS
OF KENERGY CORP.

WHEREAS, the Ten (10) Year Financial Forecast for the period of 2007 through 2016 as prepared and included with this loan application is an acceptable projection of the financial trend and conditions of Kenergy Corp.; and

WHEREAS, the Board of Directors of Kenergy Corp. has reviewed the attached Long Range Financial Forecast prepared by the Cooperative's staff; and

WHEREAS, the Financial Forecast includes estimates taken from a previously Board approved Load Forecast and Three-Year Construction Work Plan, both of which have been approved by the Rural Utilities Service (RUS); and

WHEREAS, the Long Range Financial Forecast is based upon Board approved policies, operating rules and plans and sets forth appropriate goals, all of which are acceptable to the Board of Directors as an overall plan of operations;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Kenergy Corp. hereby approves and accepts the Ten-Year Long Range Financial Forecast, as proposed, as a plan of operations, and has reviewed the projected rates which are included in the Forecast and is committed to take whatever action may be necessary to implement such rate changes as may be required, on a timely basis to achieve the goals outlined therein.

I, Debra Hayden, Assistant Secretary, certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors of Kenergy Corp. on August 14, 2007.

